

**PICKFORD TOWNSHIP**

**BASIC FINANCIAL STATEMENTS**

June 30, 2004

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>Pickford Township</i>	County <i>Chippewa</i>
Audit Date <i>June 30, 2004</i>	Opinion Date <i>August 13, 2004</i>	Date Accountant Report Submitted to State: <i>October 28, 2004</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Anderson Tackman &amp; Company PLLC</i>			
Street Address <i>16978 S. Riley Avenue</i>	City <i>Minneapolis</i>	State <i>MI</i>	ZIP <i>49788</i>
Accountant Signature <i>Anderson Tackman &amp; Co. PLLC</i>			

**PICKFORD TOWNSHIP**

**ELECTED OFFICIALS**

TOWNSHIP SUPERVISOR

CHUCK WIGGINS

TOWNSHIP TREASURER

PEGGY McCONKY

TOWNSHIP CLERK

LINDA MILLER

TOWNSHIP TRUSTEE

MERLIN GAYLER

TOWNSHIP TRUSTEE

VERN LEACH

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Township of Pickford  
Pickford, Michigan

We have audited the accompanying financial statements of the governmental activities, the governmental major funds, and aggregate other funds, of the Pickford Township as of and for June 30, 2004, as listed in the Table of Contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pickford Township as of June 30, 2004, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.

The Pickford Township Board implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2004, on our consideration of the Pickford Township’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management’s Discussion and Analysis on page 3 and the budgetary comparisons are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Anderson Tackman & Co P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

August 13, 2004

## **Management's Discussion and Analysis**

# Pickford Township

## Management's Discussion and Analysis June 30, 2004

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Township's combined net assets increased 1% from a year ago increasing from \$863,424 to \$866,314. In a condensed format, the table below shows a comparison of the net assets as of the current date.

The Township implemented GASB-34 accounting procedures for the period beginning July 2003; therefore a comparative analysis cannot be performed this year. A comparative analysis will not be performed in future years because Townships with a population less than 2,000 people are required to be audited every other year.

In a condensed format, the table below shows the net assets of Pickford Township.

	Governmental Activities 2004
Current Assets	\$ 393,435
Noncurrent Assets	<u>472,879</u>
Total Assets	<u>866,314</u>
Net Assets	
Invested in Capital Assets -	
Net of Debt	472,879
Unrestricted (Deficit)	<u>393,435</u>
Total Net Assets	<u>\$ 866,314</u>



The current level of unrestricted net assets for our governmental activities stands at \$393,435, or about 90% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	<u>Governmental Activities</u> <u>2004</u>
Program Revenues	
Charges for Services	\$ 71,063
General Revenues	
Property Taxes	215,463
State-Shared Revenues	122,951
Unrestricted Investment Earnings	2,017
Other Revenue	<u>28,220</u>
Total Revenues	<u>439,714</u>
Program Expenses	
Legislative	3,896
General Government	140,663
Public Safety	63,145
Public Works	124,178
Health and Welfare	71,076
Other Expenses	<u>33,866</u>
Total Expenses	<u>436,824</u>
Change in Net Assets	<u>\$ 2,890</u>

### Governmental Activities

The Township's total governmental revenues increased by approximately \$16,452, primarily due to the continuing increase in property tax values and a \$7,041 grant from the Sault Tribe of Chippewa Indians.

Expenses, excluding depreciation decreased by only about \$19,674 during the year. This was primarily the result of close budget monitoring throughout the year. Depreciation increased from \$31,419 to \$59,600 primarily due to depreciation on a new emergency vehicle.

### The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major fund for 2004 includes the General Fund, Road millage and EMS millage.

The General Fund pays for most of the Township's governmental services. The most significant are public works and EMS, which incurred expenses of approximately \$176,545 in 2004. These two services are largely supported by special millages which are recorded in the Road and EMS millage funds. These funds record the receipts from the special millage and the transfer to the General Fund. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific activity, as well as specific capital outlay approved by the Township Board. During the current year, this amounted to approximately \$165,040. Ambulance services were financed by charges for services of \$49,485. The remaining costs of Public Works and EMS are funded by other general revenue sources of the General Fund.

### General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant change was to decrease the estimated State Revenue Sharing. Township departments overall stayed below budget, resulting in total expenditures \$202,700 below budget. This allowed the General Fund's fund balance to decrease from \$267,164 a year ago to \$197,161 at June 30, 2004.

### Capital Asset and Debt Administration

At the end of 2004, the Township had \$472,879 invested in a broad range of capital assets, including buildings, ambulance and fire equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Chippewa County Road Commission (along with the responsibility to maintain them).

## **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2005 calls for a freeze on property tax rates. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. Also, reductions in State Revenue sharing continues to hurt the township.

## **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Supervisor's office at: P.O. Box 456, Pickford, Michigan, 49774 or (906) 647-3361.

## **Basic Financial Statements**

# Pickford Township

## Statement of Net Assets June 30, 2004

	Governmental Activities
<b>ASSETS:</b>	
<b>Current Assets</b>	
Cash & Investments - Unrestricted	\$ 364,943
Internal Loans	1,522
Accounts Receivable	2,873
Prepaid Expenses	24,097
Total current assets	393,435
<b>Noncurrent Assets</b>	
Capital Assets (Net of Accumulated Depreciation)	472,879
<b>TOTAL ASSETS</b>	<b>\$ 866,314</b>
<b>NET ASSETS:</b>	
Invested in Capital Assets	472,879
Unrestricted	393,435
<b>TOTAL NET ASSETS</b>	<b>\$ 866,314</b>

# Pickford Township

## Statement of Activities For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues Charges for Services	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
<b>Governmental Activities:</b>			
Legislative	3,896	-	(3,896)
General Government	140,663	-	(140,663)
Public Safety	63,145	3,882	(59,263)
Public Works	124,178	-	(124,178)
Health & Welfare	71,076	67,181	(3,895)
Other Expenses	33,866	-	(33,866)
Total Governmental Activities	436,824	71,063	(365,761)
<b>General Revenues:</b>			
Taxes			215,463
State Revenue Sharing			122,951
Other			28,220
Investment Earnings (Loss)			2,017
Total General Revenues and Transfers			368,651
Change in Net Assets			2,890
Net Assets - Beginning			863,424
Net Assets - Ending			\$ 866,314

See accompanying notes to financial statements.

# Pickford Township

## Balance Sheet Governmental Funds June 30, 2004

	General	Road Improvement	Emergency Services	Total Governmental Funds
<b>ASSETS:</b>				
Cash & Equivalents	\$ 168,669	\$ 92,452	\$ 103,822	\$ 364,943
Accounts Receivable	2,873	-	-	2,873
Due from Other Funds	1,522	-	-	1,522
Prepaid Expenses	24,097	-	-	24,097
<b>TOTAL ASSETS</b>	<u>\$ 197,161</u>	<u>\$ 92,452</u>	<u>\$ 103,822</u>	<u>\$ 393,435</u>
<b>FUND BALANCES:</b>				
Unreserved	197,161	92,452	103,822	393,435
<b>TOTAL FUND BALANCES</b>	<u>197,161</u>	<u>92,452</u>	<u>103,822</u>	<u>393,435</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 197,161</u>	<u>\$ 92,452</u>	<u>\$ 103,822</u>	
<b>Net assets of governmental activities</b>				<u>\$ 393,435</u>
<b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b>				
Capital assets used by governmental activities				472,879
<b>Net assets of governmental activities</b>				<u>\$ 866,314</u>

# Pickford Township

## Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2004

	General	Road Improvement	Emergency Services	Totals Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 76,093	\$ 91,684	\$ 47,686	\$ 215,463
State Sources	122,951	-	-	122,951
Charges for Services	54,321	-	-	54,321
Refunds & Reimbursements	23,955	-	-	23,955
Interest & Rentals	2,017	-	-	2,017
Local Sources	-	-	14,957	14,957
Other Revenue	6,050	-	-	6,050
<b>TOTAL REVENUES</b>	<b>285,387</b>	<b>91,684</b>	<b>62,643</b>	<b>439,714</b>
<b>EXPENDITURES:</b>				
Legislative	3,896	-	-	3,896
General Government	132,427	-	-	132,427
Public Safety	23,781	-	-	23,781
Health & Welfare	59,076	-	-	59,076
Public Works	124,178	-	-	124,178
Capital Outlay	134,550	-	-	134,550
Other Expenditures	33,866	-	-	33,866
<b>TOTAL EXPENDITURES</b>	<b>511,774</b>	<b>-</b>	<b>-</b>	<b>511,774</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(226,387)</b>	<b>91,684</b>	<b>62,643</b>	<b>(72,060)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	156,384	-	-	156,384
Operating Transfers Out	-	(50,000)	(106,384)	(156,384)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(70,003)</b>	<b>41,684</b>	<b>(43,741)</b>	<b>(72,060)</b>
<b>FUND BALANCES, JULY 1</b>	<b>267,164</b>	<b>50,768</b>	<b>147,563</b>	<b>465,495</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 197,161</b>	<b>\$ 92,452</b>	<b>\$ 103,822</b>	<b>\$ 393,435</b>



# Pickford Township

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities June 30, 2004

Net Changes in fund balances – total governmental funds \$ (72,060)

The change in net assets reported for governmental activities in the  
Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is capitalized and the cost of those assets is allocated  
over their estimated useful lives and reported as depreciation  
expense. This is the amount by which capital outlays exceeded  
depreciation expense.

74,950

Changes in net assets of governmental funds \$ 2,890

# Pickford Township

## Combining Balance Sheet Agency Funds June 30, 2004

	Tax Collection Fund	Pickford Utility Authority	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalent	\$ 1,522	\$ 120,472	\$ 121,994
<b>TOTAL ASSETS</b>	<b>\$ 1,522</b>	<b>\$ 120,472</b>	<b>\$ 121,994</b>
<b><u>LIABILITIES</u></b>			
Due to other funds	1,522	-	1,522
Undistributed Special Assessments	-	120,472	\$ 120,472
<b>TOTAL LIABILITIES</b>	<b>\$ 1,522</b>	<b>\$ 120,472</b>	<b>\$ 121,994</b>

## **Notes to the Financial Statements**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pickford Township, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

### A – Reporting Entity:

#### Financial Reporting Entity

Pickford Township ("The Township") is a regular law Michigan township located in the eastern portion of Michigan's Upper Peninsula.

The Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, community enrichment and development and health services.

The Township, for financial purposes, includes all of the funds relevant to the operations of Pickford Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Pickford Township.

#### Separate Legal Entities:

Pickford Utility Authority – The Authority is considered to be a separate legal entity, with its own control structure and financial responsibility and, accordingly, is not included in the Basic Financial statements of the Township.

### B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Current or Property Taxes**

The Pickford Township property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Pickford Township as of the preceding December 31<sup>st</sup>.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Although the Pickford Township 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Pickford Township's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the Pickford Township totaled \$31,229,126, on which ad valorem taxes levied consisted of 1.6072 mills for the Township operating, 2.9227 mills for Roads, 1.4611 mills for E.M.S., raising \$50,191 for operating, \$41,260 Roads, and \$45,628 for E.M.S. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

**General Fund**

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Road Millage Fund**

This fund accounts for activities that create and maintain roads within Pickford Township.

**E.M.S. Millage Fund**

This fund accounts for the millage revenue to support emergency medical services in the Township.

Additionally, the Township reports the following fund types:

**Agency Funds**

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the respective grants.

Interfund Transfers – During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.



## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each May, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents - Unrestricted	\$ 364,943	\$ 121,994

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking and savings accounts	\$ 277,120	\$ 77,795
Certificates of Deposit	<u>87,823</u>	<u>44,199</u>
Total	<u>\$ 364,943</u>	<u>\$ 121,994</u>

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the carrying amount of the Township's primary and fiduciary deposits was \$486,937 and the bank balance was \$487,604. Of the bank balance, \$391,370, approximately 80%, was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 23,400	\$ -	\$ -	\$ 23,400
Subtotal	23,400	-	-	23,400
Capital assets being depreciated:				
Buildings	934,000	-	-	934,000
Machinery and equipment	346,900	134,550	-	481,450
Subtotal	1,280,900	134,550	-	1,415,450

# Pickford Township

Notes to Financial Statements  
June 30, 2004

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Less accumulated depreciation for:				
Buildings	664,900	6,950	-	671,850
Machinery and equipment	<u>241,471</u>	<u>52,650</u>	<u>-</u>	<u>294,621</u>
Subtotal	<u>906,371</u>	<u>59,600</u>	<u>-</u>	<u>965,971</u>
Net Capital Assets Being Depreciated	<u>374,529</u>	<u>74,950</u>	<u>-</u>	<u>449,479</u>
Total				
Total Capital Assets - Net of Depreciation	<u>\$ 397,929</u>	<u>\$ 74,950</u>	<u>\$ -</u>	<u>\$ 472,879</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 8,236
Public Safety	39,364
Health and Welfare	<u>12,000</u>
Total Governmental Activities	<u>\$ 59,600</u>

## NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax Collection	\$ <u>1,522</u>
Total		<u>\$ 1,522</u>

### Interfund Transfers

TRANSFERS IN

### TRANSFERS (OUT)

	<u>Road Millage</u>	<u>EMS Millage</u>	<u>Total</u>
General Fund	\$ 50,000	\$ 106,384	\$ 156,384
Total	<u>\$ 50,000</u>	<u>\$ 106,384</u>	<u>\$ 156,384</u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - RISK MANAGEMENT**

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

**NOTE 7 - CONTINGENT LIABILITIES**

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at June 30, 2004.

NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLE:

Effective July 1, 2003, the Township implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

**Required Supplemental Information**

# Pickford Township

## Budgetary Comparison Schedule General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 74,000	\$ 74,000	\$ 76,093	\$ 2,093
State sources	131,289	131,289	122,951	(8,338)
Charges for services	45,400	45,400	54,321	8,921
Refunds and reimbursements	30,000	30,000	23,955	(6,045)
Interest	3,000	3,000	2,017	(983)
Other revenue	4,300	4,300	6,050	1,750
<b>TOTAL REVENUES</b>	<b>287,989</b>	<b>287,989</b>	<b>285,387</b>	<b>(2,602)</b>
<b>EXPENDITURES</b>				
<b>LEGISLATIVE</b>				
Township board	7,900	7,900	3,896	4,004
<b>GENERAL GOVERNMENT</b>				
Supervisor	7,425	7,425	7,332	93
Assessor	17,400	17,400	17,190	210
Clerk	8,925	8,925	7,368	1,557
Board of review	1,325	1,325	873	452
Recreation board	700	700	275	425
Elections	7,900	7,900	1,020	6,880
Treasurer	15,900	15,900	13,851	2,049
Teen center	11,270	11,270	4,013	7,257
Cemetery	3,200	3,200	1,109	2,091
Planning and zoning	1,550	1,550	125	1,425
Buildings and grounds	103,575	103,575	63,233	40,342
Township park	27,250	27,250	16,038	11,212
<b>Total General Government</b>	<b>206,420</b>	<b>206,420</b>	<b>132,427</b>	<b>73,993</b>
<b>PUBLIC SAFETY</b>				
Fire protection	36,968	36,968	23,781	13,187
<b>Total Public Safety</b>	<b>36,968</b>	<b>36,968</b>	<b>23,781</b>	<b>13,187</b>
<b>HEALTH AND WELFARE</b>				
Ambulance	69,661	69,661	59,076	10,585



# Pickford Township

## Budgetary Comparison Schedule General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance- Favorable (Unfavorable)
PUBLIC WORKS				
Highways and streets	30,400	30,400	13,918	16,482
Improvements	100,000	100,000	79,770	20,230
Total Public Works	130,400	130,400	93,688	36,712
CAPITAL OUTLAY	165,040	165,040	165,040	-
OTHER EXPENDITURES				
Payroll taxes	15,300	15,300	14,421	879
Other expenditures	82,785	82,785	19,445	63,340
Total Other Expenditures	98,085	98,085	33,866	64,219
TOTAL EXPENDITURES	714,474	714,474	511,774	202,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(426,485)	(426,485)	(226,387)	200,098
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	193,944	193,944	156,384	(37,560)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(232,541)	(232,541)	(70,003)	\$ 162,538
FUND BALANCES, JULY 1			267,164	
FUND BALANCES, JUNE 30			\$ 197,161	

# Pickford Township

## Budgetary Comparison Schedule Road Millage Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>				
Taxes	<u>\$ 84,000</u>	<u>\$ 84,000</u>	<u>\$ 91,684</u>	<u>\$ 7,684</u>
TOTAL REVENUES	<u>84,000</u>	<u>84,000</u>	<u>91,684</u>	<u>7,684</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	<u>127,000</u>	<u>127,000</u>	<u>50,000</u>	<u>77,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER OTHER FINANCING USES	<u>(43,000)</u>	<u>(43,000)</u>	<u>41,684</u>	<u>84,684</u>
FUND BALANCES, JULY 1			<u>50,768</u>	
FUND BALANCES, JUNE 30			<u>92,452</u>	

# Pickford Township

## Budgetary Comparison Schedule EMS Millage Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>				
Taxes	\$ 42,000	\$ 42,000	\$ 47,686	\$ 5,686
Local Sources	<u>7,000</u>	<u>7,000</u>	<u>14,957</u>	<u>7,957</u>
TOTAL REVENUES	<u>49,000</u>	<u>49,000</u>	<u>62,643</u>	<u>13,643</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers Out	<u>211,500</u>	<u>211,500</u>	<u>106,384</u>	<u>105,116</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER OTHER FINANCING USES	<u>(162,500)</u>	<u>(162,500)</u>	(43,741)	<u>118,759</u>
FUND BALANCES, JULY 1			<u>147,563</u>	
FUND BALANCES, JUNE 30			<u>103,822</u>	

## **Reports on Compliance**



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL**  
**REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED**  
**IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of  
The Board of Trustees  
Pickford Township  
Pickford, Michigan 49774

We have audited the basic financial statements of the Pickford Township, as of and for June 30, 2004, and have issued our report thereon, dated August 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Pickford Township's basic financial statements are free of material misstatement, we performed a test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We did note certain immaterial instances of noncompliance, which we have reported to management of the Pickford Township in a separate letter, dated August 13, 2004.

Honorable Chairman and Members  
of the Board of Commissioners  
Pickford Township

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pickford Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Pickford Township in a separate letter dated August 13, 2004.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson Tackman & Co P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

August 13, 2004